

## SEVENTH DAY

Thursday 4 September 2014

### DRAFT HANSARD

<b><u>Subject:</u></b>	<b><u>Page No.:</u></b>
QUESTIONS .....	2
MOTION BY LEAVE .....	15
SUSPENSION OF STANDING ORDERS - REARRANGEMENT OF BUSINESS.....	16
TUITION FEE FREE (TFF) DISBURSEMENT IN 2014 - MINISTERIAL STATEMENT - MOTION TO TAKE NOTE OF PAPER.....	16
MOTION BY LEAVE .....	23
SUSPENSION OF STANDING ORDERS - REARRANGEMENT OF BUSINESS.....	24
REGULATORY STATUTORY AUTHORITIES (APPOINTMENT OF CERTAIN OFFICERS) (CONSEQUENTIAL AMENDMENT) BILL 2014 .....	24
CUSTOMS (AMENDMENT) BILL 2014 .....	28
PAPUA NEW GUINEA CUSTOMS SERVICES BILL 2014 .....	29
MESSAGE FROM THE GOVERNOR-GENERAL .....	32
PERMANENT PARLIAMENTARY COMMITTEE ON PUBLIC ACCOUNTS - INQUIRY INTO THE MADANG PROVINCIAL GOVERNMENT - PAPER NOTED .....	33
PARLIAMENTARY REFERRAL COMMITTEE ON EDUCATION - INQUIRY INTO THE DISBURSEMENT OF TEACHERS SALARIES AND ENTITLEMENTS - REPORT - PAPER NOTED .....	40
MOTION BY LEAVE .....	43
SUSPENSION OF STANDING ORDERS - REARRANGEMENT OF BUSINESS.....	44
STATE OF THE ECONOMY AND 2014 BUDGET REVIEW FOR FUTURE GROWTH - MINISTERIAL STATEMENT - MOTION TO TAKE NOTE OF PAPER.....	44
ADJOURNMENT.....	52

## SEVENTH DAY

**Thursday 4 September 2014**

The Speaker (**Mr Theo Zurenouc**) took the Chair at 10 a.m.,

There being no quorum present, Mr Speaker stated that he would resume the Chair after the ringing of the bells.

Sitting suspended.

The Speaker again resumed the Chair at 10:30 a.m. and invited the Minister for Forest and Climate Change and Member for Kiriwina-Goodenough, **Honourable Douglas Tomuriesa** to say Prayers:

‘Our God, and our creator, we come before you and give you glory and praise. Father, we thank you for this day that you have created; we come before you this morning in prayer and ask you to forgive us for the things that we have done wrong before you and before men. We ask you, to cleanse us and wash us through the precious blood of Jesus Christ, our saviour. Father, we come before you this morning and thank you for your care and protection upon our lives and upon this nation, Papua New Guinea. We thank you for your blessings upon the citizens of this nation. This morning as we come before you, as mandated leaders whom you have called here for a purpose and so, Father, we bring our lives before you and ask you to forgive us for the things that are not right, and we pray that your wisdom knowledge and goodness will fall upon us this day. Father as we come before you this morning, we thank you for our Speaker, the Prime Minister, Opposition Leader, the Ministers and for all the Members of Parliament. Father, I pray, that this morning, you will bestow upon your leaders that you have chosen with wisdom and knowledge for deliberations for this day. We pray for the intervention of your Holy Spirit to be in our midst to allow us to speak truthfully. Bless our children and this nation this morning and I thank you once again and commit the proceeding of this day back unto your hands. Father, as we come before you, we want to thank you for the prayer that you have showed us and we pray almighty God, that you will lead us in this prayer, Amen’

## QUESTIONS

**Mr ATI WOBIRO** – Thank you, Mr Speaker. I direct my questions to the Minister for Forest and Climate Change.

Mr Speaker, I have raised similar questions on this Floor of Parliament and this is in regards to six deaths and injuries suffered by many people that resulted from a veneer mill explosion at Panakawa. The mill is also owned by the RH group of companies.

Mr Speaker, I and my people have not received any response as to what actions were taken by the State.

**02/07**

I am now asking the Minister on behalf of the people of Western Province, especially people in the Bamu area, as to what actions the State took to address that matter.

Secondly, Mr Speaker, a logging barge owned by the same company was involved in an incident where it capsized resulting in the spilling of massive oil on the Bamu River which affected the fish and other aquatic life. It also denied the people full use of the river, so I want the Minister to explain and to answer to the people of Western Province what the State has done to address this issue and also whether any corrective measures have been taken to minimise the effects.

**Mr DOUGLAS TOMURIESA** – First of all, I want to thank the good Governor for Western Province for raising these questions regarding the livelihood of his people, especially in the affected areas.

Mr Speaker, I'd like to address the first question first, which is on the Panakawa Veneer Mill. The incident actually happened about two years ago; well before my time as Minister for Forests.

Let me say that I have received a report on the issue raised today by the Governor. I will furnish him with a copy of it soon. However, let me tell you a little story on the Panakawa Veneer Mill.

The explosion actually happened in the steam dryer where veneer is dried and processed as plywood. During the explosion, six people were killed.

Unfortunately, when the equipment was brought in from overseas and set up in the country, we did not have the expertise to maintain them. And that is a very big problem that is affecting some of the operations we have in the country.

We'd like to have downstream processing in the country, which is very good, but we do not have the expertise to maintain the equipment when they are installed. And so going back to history a similar mill one which was installed in West New Britain Province for producing woodchip where the commissioning was done by TSRO Australia and the cost was met by the company itself.

And so, it is very important that we have expertise in the country to maintain the equipment that are installed in the country and we are looking at addressing that.

Another major problem is loss of revenue to the country as a result of logging companies not registering a lot of the equipment such as vehicles that are used. The transport Department needs to go out and visit those sites to ensure that all the equipment there are registered every year.

I also wish to go on record in saying that when you go to the logging sites, you will find that a lot of their equipment are not registered and that somebody has to ensure that they are registered.

My Department is taking measures to review all the logging operating licenses in the country to make certain that the operational requirements are met. We also want to see that provincial obligations are also met but most importantly, we want to see that community obligations are met.

We are now reviewing all those things and a full report will be furnished to the Governor and I want to assure him that we will address those issues.

**03/07**

Mr Speaker, I take this opportunity to apologise to the people of Western Province for taking over two years to complete this report and I assure the Governor that it will be made available to him.

Mr Speaker, in regards to the Kamusi forest operation, I want to state that this issue is really an environmental issue, especially when there is oil spill and environmental damage.

There is a brief report on that and it will be forwarded to the Governor and relevant authorities to attend to the issues.

## Supplementary Question

**Mr POWES PARKOP** – Mr Speaker, I have three questions in line with what the Governor for Western Province has raised in relation to Forestry.

(1) Can the Minister inform Parliament on how many Veneer Plants are there and how many downstream plants there are in the country?

(2) When will we have downstream plants instead of chopping down trees?

Many people don't know of this and they are clearing out land by chopping the trees down and royalty goes to the landowner or whoever, and there is a levy for reforestation. Many people are still waiting. When the Member for Markham was Minister there was a structure in place but people are not accessing this avenue.

(3) Can the Minister inform this Parliament the procedure of accessing the Development Levy so that our people can apply?

Mr Speaker, the logging companies operating throughout our country are expected to pay levy.

(4) Can the Minister highlight how much is there and how much has been paid out to the affected? Is it still with the National Forest Authority or it has been used?

They are deducting levies for reforestation but nothing is happening in this county. I am aware the Minister just recently took up his Ministry but I believe he has been briefed.

**Mr DOUGLAS TOMURIESA** – Mr Speaker, I thank the Governor for NCD for his very good questions. Mr Speaker, in regards to downstream processing I will be tabling a Ministerial Statement in this regard to address this issue.

Let me inform Parliament that before my time, the Government endorsed that by the year 2030, we will be going into downstream processing. It is a long time before 2030.

Mr Speaker, since I took office, we are reviewing all the operations and licenses in the country. We will be directing all those companies that have operated for more than 5 years to furnish their plans for downstream processing. Instructions have already been sent out to operators informing them of the current review the Forest Department is taking.

Mr Speaker, since my appointment, I have visited Northern Province and saw the downstream processing plant there. This plan has the Department's support and we would want to transmit a positive message to all other operators regarding the Veneer Plant there.

I will be visiting Vanimo next week to make certain that all operators must comply with our downstream processing desires.

Mr Speaker, we have to look seriously at the obligation issue in provinces and districts of operators who are operating there. Mr Speaker, the process of reviewing the licenses will cover all the aspects in the Forest Sector.

In regards to the Log Export Development Levy, those districts that have logging operations will receive a letter from the Forest Department informing them of the Log Development Levy.

**04/07**

The Log Export Development Levy has been parked away under the Department of Forest. It has been sitting there for more than 10 years. Of the K140 million, K37 million has been misused.

I will be presenting a ministerial statement to Parliament disclosing the spending of K37 million because our people are still crying for developments to take place in their districts.

Mr Speaker, every Member of Parliament who has logging operations in their districts will be working closely with us to monitor the logging operations for fairness and development.

In terms of reforestation levy, funding is available. Some Governors have already talked to me about it. We are working on plans which will involve the youth groups, schools and churches and we also will make certain that these funds are used for its intended purpose.

It is important that every one of us must make forests our business. Thank you.

### **Supplementary Question**

**Mr SAM BASIL** – I am very happy since the Minister took office because he has announced in his maiden speech that he will be banning exporting of round logs.

Mr Speaker, I believe that in the past, two or three ministers said the same thing.

But when the Minister made mentioned of that we were all very happy. Mr Speaker, my question is:

Will that happen in this term of Parliament? If so, can you give us the exact date of the ban and when will it be implemented?

**Mr SPEAKER** – Minister, answer that as a new question.

**Mr DOUGLAS TOMURIESA** – I think the Deputy Leader of the Opposition knows very well. He has been here much longer than I.

Mr Speaker, this is an on-going issue and somebody need to take the bull by the horn. Since becoming a Minister, I have suspended many operations than any other Ministers have.

The reason is to make certain that operators and investors must work closely with the government. All the operators must comply with our regulations instead of being interested in the only round logging. We have sent notices out to every operator that we will be visiting their sites to make certain that those who have operated over five years must start doing downstream processing. I cannot give you the exact date, but when this things happen, you will see that it will happen.

*(Members applauding)*

**Mr MARK MAIPAKAI** – I direct my question to the Minister for Education and it is in relation to contracts awarded to NCD schools.

My questions are:

(1) Can the Minister confirm or deny receiving an audit report of the NCD schools regarding the infrastructure contracts from the Department Secretary?

(2) If you have, are you satisfied that that it was conducted satisfactorily?

(3) If it is to your satisfaction, can you tell this Parliament when the audit reports will be tabled?

(4) Can you tell this Parliament and the contractors when they will be paid their overdue payments because they are small time Papua New Guineans and some have borrowed from friends are all congesting the schools for these payments?

**05/07**

**Mr NICK KUMAN** – Mr Speaker, it is a very important question with a great deal of interest in regard to the infrastructure development to all the schools in Port Moresby.

Firstly, let me say that education is not about one urban centre or one province or a district. Education is about delivering education right into the rural parts of Papua New Guinea and that includes places like Karamui, Telefomin and Kaintiba and I am pretty sure

that every other district in the country deserves exactly the same level of funding so that, we can fully develop the school facilities for our young people to be properly educated.

Secondly, the RESI program which was introduced in 2007 was more like a campaign strategy intended for luring votes and that is why we encountered a lot of problems in Port Moresby.

With this, let me respond to the questions raised by the Member for Kikori. I have received the audit report that was commissioned by the former Minister and the Minister for Finance in February this year.

Mr Speaker, I had a quick glance of the report and let me say that I am disappointed with the report because it failed to conclude the level of corruption that took place in the procurement process and the accounting process. Those who were involved should have been referred or disciplined under the *Public Services General Orders*.

Let me also say that the report did not favour the contractors, and more than 50 per cent of the contractors were more or less bogus. The bill has gone up to a staggering K320 million. There were only few contractors who were genuine in as far as delivering the facilities in Port Moresby, but the bulk of them were bogus claim. A classical example is the land scape beautification at the back of the National Library and National Archive. It is sad to say that development worth is about K164 million.

Mr Speaker, let me say that one of this planter box would have cost about K5 000.00 yet it worth about K300 000.00. The stone wall there could have cost up to K10 000.00 but it was worth K300 000.00.

Let me assure this Parliament and the contractors that the report itself is not conclusive and they have not given me the scope of the work, the detailed bill of quantity as to how much has it cost and how much more money is required for the Government to complete all those projects in the city.

**06/07**

I am going to refer this Report back to the Departments of Finance and Treasury with a set TOR, and if I may, I would like to quickly go through them, Mr Speaker, if you will allow me.

**Mr SPEAKER** – Go ahead, Minister.

**Mr NICK KUMAN** – I am going to refer the Report back and ask them to do the following;

- (a) Obtain and ascertain all payments done from 2007 to date,
- (b) Lists of total paid from 2007 to 2011,
- (c) Lists of payments done in the year of 2012,
- (d) Clearly identify lists of outstanding genuine claims,
- (e) Clearly identify lists of claims not signed by a section 32 officer,
- (f) Clearly identify lists of bogus and fraudulent claims,
- (g) Clearly identify lists of claims without three quotations,
- (h) Clearly identify lists of claims without contract documents,
- (i) Clearly identify lists of claims without Certificate of Completion,
- (j) Clearly identify lists of claims without Certificate of Compliance,
- (k) Clearly identify lists of claims for substandard work,
- (l) Clearly identify lists of claims for no work done,
- (m) Clearly identify if there has been duplicate claims for payments,
- (n) Clearly identify weaknesses in the procurement system and recommend solutions,
- (o) Clearly identify weaknesses in the accounting system and recommend solutions.

This TOR will be sent back to the Departments of Finance and Treasury to go back and do the audit again. The government is not in the business of entertaining bogus claims and we have had enough in this country.

Thank you.

**Dr ALLAN MARAT** (Rabaul) – Mr Speaker, I seek leave of the Chair to direct questions to the Chair.

**Mr SPEAKER** – Go ahead, leave is granted.

**Dr ALLAN MARAT** – Mr Speaker, my question relates to the old House of Assembly.

The old House of Assembly is a national heritage and also an important asset located in a prime commercial area.

We understand that the old House of Assembly land had officers of Parliament living there and the House was given to the National Museum to convert it into a museum or national heritage site.

Mr Speaker, today, a high rise building is being built there and the staffs of the National Parliament were evicted and the National Museum staffs were also relocated.

My questions are:

(1) What is the plan for that land which is also located in a prime commercial area?

**Mr Mark Maipakai** – Point of Order! Who is he directing the questions to?

**Mr SPEAKER** – The questions are directed to the Chair.

**Dr ALLAN MARAT** – My questions are;

(2) Is the land still under the National Parliament or the National Museum?

(3) Is the old House of Assembly and associated structures become a museum?

(4) What has happened to the funds to renovate and open that place?

(5) Since there are new developments, are they owned by the National Parliament or the National Museum?

(6) If not, then who constructed the building and who has title to that land?

(7) If there are commercial operations on prime land, what is the equity arrangement of the National Parliament or the State in that business arrangement?

(8) Can the old House of Assembly be constructed outside of the commercial arrangement?

(9) If not, then what has happened to this important national heritage?

Thank you, Mr Speaker.

**Mr SPEAKER** – Thank you, Honourable Member for Rabaul. They are good questions and I will have to seek advice on this matter before I give you answers. In fact, I am unaware of all these issues.

I would therefore, appreciate it if you would make your questions available to me in writing so that I will look into this matter and may be, produce a report to give to you and also inform the Parliament.

**Mr ROBERT GANIM** – Mr Speaker, my questions are directed to the Minister for Sports and South Pacific Games and I would like the Minister for Education to take note.

**07/07**

Mr Speaker, the date for the PNG Games will be held from the 9<sup>th</sup> – 25<sup>th</sup> November 2014, and according to the Education school calendar, schools will not be on holidays during this time. From previous experiences; these games have caused interruptions to schools because students and some teachers also participate in these games.

Can the Minister for Sports look into these dates and try to make changes to avoid interruptions to schools?

**Mr JUSTIN TKACHENKO** – I thank the Member for his question. The PNG Games date was set nearly two years ago in November. As far as I am concerned, it can't be changed; because I was in Lae last Sunday to see all the facilities and talk to officials and everything is set for the PNG Games to begin. All I can do is liaise with the Minister for Education and the Secretary to look at the time table of the schools in the provinces.

Mr Speaker, unfortunately, these dates were set two years ago and everybody is preparing for that particular event. What we are trying to do with the PNG games is that; instead of having it biannually, we are trying to see if we can have the games played after three years so that it coincides with the calendar of the South Pacific, the Commonwealth and the Olympic Games.

This will make it easier for the provinces to plan and host their games. The next PNG Games will be held in West New Britain and we are also considering looking at the regional centres, hosting the games. This will allow for appropriate accommodation, sporting facilities to ensure success of the games for everybody's benefit.

I will take up your question and give the Member a detailed answer as soon as possible.

**Mr AIDE GANASI** – Thank you Mr Speaker, for this opportunity. My questions are directed to the Deputy Prime Minister and Minister for Provincial and Local Level Government Affairs.

Mr Speaker, my question is in relation to the Border Development Authority. When this authority was formed, we were happy because we had an authority that would serve the

provinces bordering with other neighbouring countries. We were excited because we knew that we would receive much needed services under this authority.

However, my electorate is sharing two international borders and it is strategically located with a lot of illegal activities where drug and human trafficking taking place. My questions are;

- 1) Is the Border Development Authority in existence or not?
- (2) What is the actual function of this Authority?

**08/07**

**Mr LEO DION** – Thank you, Mr Speaker. I would like to thank the honourable Member for South Fly for questions. I also would like to thank him for discussing those questions with me in advance.

The first question relates to whether or not the Border Development Authority exist or not. I think the simply answer to this is yes. The Border Development Authority was established by the previous government four years ago with all good intentions and it does still exist today.

It is an instrument of the government with the core function of assisting the Boarder Protection Agencies and we all know what those agencies are; PNG Custom, Immigration, Quarantine, PNGDF, Police and of course the Foreign Affairs and most importantly the respective provinces to build up capacity through infrastructure development.

Mr Speaker, this is the primary responsibilities of the Border Development Authority which was established four years ago and that is the function it is playing today.

The second question relates to what kind of programs and or interventions the Border Development Authority has in place for Western Province and for the honorable Member's electorate of South Fly.

Let me assure the people of Western Province and the honourable member for South Fly that the Border Development Authority is in constant dialogue with the Western Provincial Administration and for that matter, all the other border provinces administrators and border protection agencies that, any interventions of these boarders are justified and evidence based.

Mr Speaker, especially, for Western Province the BDA has identified specific location for the development of the border post in Wem in South Fly and Dom in North Fly District.

BDA also proposed a surveillance post in Jarai South Fly districts to address border issues with PNG and the Torres Straits of Australia.

Mr Speaker, in regards to the concerns of cooperation between BDA and provinces, let me assure the honourable Member that I will ensure that effective consultation must be done with respective provincial governments so that we can achieve tangible outcome for the border provinces through efficient and effective prospects that ensures good governance.

Mr Speaker, the Border Development Authority is organized in a way that there will be more consultations with the provincial governments of the Western Province and of course the West Sepik Province.

Mr Speaker, I was privileged to have been briefed, but I would like to thank the West Sepik Provincial Government through the leadership of the Governor who has had the opportunity to visit other parts of Indonesia on the other side of the border. Development is taking place on the other side of the border. The question is why is it not happening on this side of the border?

This is where I am providing the leadership in order to make sure that much more coordination and consultations are made with those provincial governments and of course the security agencies, along the border so they can collaborate with each other.

**09/07**

I would like to also announce that, although, there are some disparities in the development in those areas compared to what is happening in Vanimo at the moment. Nevertheless, it is a start and I would like to thank the Asian Development Bank (ADB) and the Papua New Guinean government for providing funding. This made sure that certain offices were being built.

Two years ago, when this Government came into office, I had the opportunity to officiate the ground breaking ceremony over there. The state-of-the-art building is therefore now completed and that will also be replicated in other parts of the border areas.

Mr Speaker, I would also like to say that, I have been very disappointed with the assistance that the Papua New Guinea Sustainable Development Programme should have provided for the development of the office. The Government is very serious about this issue and there have been a lot of deliberations regarding this matter.

With that, I believe that through these fundings and when they are made available with proper consultation with relevant agencies, we can be rest assured that funding will be

made available. I would like to also say that, I have the ear of the Department of Treasury and that we have devised a budget for 2015.

Mr Speaker, I must admit here that, for the last three years, we have not been receiving the necessary fundings that we asked for. In this particular case, we are representing the needs in those border areas to be looked at when the bureaucrats and various economic Ministers sit down to consider the funding. Therefore, we need funding to carry on further development.

Mr Speaker, the Border Development Programme is not only for the borders of West Sepik and Western Provinces. The programme also includes the other border provinces like New Ireland, Bougainville and Milne Bay.

I do agree that all our resources have been exploited much more because of the lack of government presence in those areas and I think that it is the onus of this Government to provide the necessary funding. This is to make sure that provincial governments in those areas are assisted in order to build those border posts and observation posts.

Therefore, this issue is not the responsibility of one department only but for all the departments responsible for the security and the interests of the State and our sovereignty.

Thank you, Mr Speaker.

### **Supplementary Question**

**Mr TITUS PHILEMON** – My questions are directed to the Deputy Prime Minister.

(1) Can the Deputy Prime Minister provide a report to Parliament regarding the projects that the Border Development Programme has funded since its inception?

This is so that the Members of Parliament can see the report and what it has achieved.

(2) Can they give that money to the provincial government that are responsible for their borders?

These funds should be decentralised and allocated to the provincial governments that are at the borders like; West Sepik, Western, Milne Bay, Bougainville and New Ireland. The funds should be given to them to implement the projects at the borders rather than keeping them under these departments.

Thank you, Mr Speaker.

**Mr LEO DION** – I would like to thank the Governor for Milne Bay for his questions.

Yes, we will provide a report in relation to what has been done in the last three years since the existence of the Border Development Authority.

Mr Speaker, the Border Development Authority was actually set up as a special intervention in relation to the failure of the provincial governments in order to pay particular attention to infrastructure in terms of the security aspect of what has been asked by the Member for South Fly.

**10/07**

And that is a concern that was here before and we don't want to go back to that type of situation. So I think it was done for a purpose and that purpose still remains in force. What we need to do now is for provincial governors to collaborate and support us as a team in order to move forward. But, in getting the funding to the provincial governments would be an injustice because we might be going back to the previous arrangements.

This is not to say that we have no confidence in the provincial governments. Milne Bay is one of the best provincial governments in this country and there are also other better provincial governments in this country that we have confidence in. But, once we disintegrate, we have got to be consistent with our decisions.

So, the Border Development Authority is there as a government entity to make sure that when the funds are given, we can be rest assured that the programs will be progressed and delivered.

**Mr EZEKIEL ANISI** – Thank you Mr Speaker, I direct my question to the Minister for Police. Can the Minister please explain to the people of East Sepik why the newly built Police Barracks in Yawasoro, East Sepik is taking too long?

**Mr ROBERT ATIYAFI** – Thank you, Mr Speaker, let me thank the Member for his question.

Yesterday I stood up and replied to a series of questions from the Member for Nuku but allow me to say this. I am not stopping the Members from asking questions but when asking questions to the Minister for Police, it is like trying to squeeze water out of a stone.

This is because the Police Department is like a patient in ICU, or may be just about to go in to the morgue.

On his question, I will find out and get back to him because I do not know the status of the barracks he is referring to.

Basically, as I have said, the Police Department is like a patient in ICU looking for a doctor to administer drugs to him.

But I wish to thank the Members and Governors who have contributed to Police from their DSIP and PSIP to assist the Police because no one has taken ownership to administer drugs to Police to bring it to a level where it can at least walk on crutches.

Only very recently, the National Government, through the NEC, approved a policy paper based on a submission I made. Until I unveil this policy paper in my statement in the next Parliament, I will then only announce which projects will be implemented.

**Sir Michael Somare** – Point of Order! My point of order is that the Minister has not replied to the question raised by the Member. It is irrelevant to talk about other issues. He asked about the barracks in East Sepik Province. The buildings have been built and completed and they are not used. He wants to know why they are deferring the occupancy of the barracks. Why is he comparing us to the other provinces, are we different?

Can the Minister give a good answer to the people of East Sepik? These buildings have stood vacant for over three years and the police have not occupied them.

**Mr SPEAKER** – Honorable Governor, the Minister has stated that he will reply in writing to the Member. Minister complete your answer.

**Mr ROBERT ATIYAFI** – Mr Speaker, I will complete my answer by saying that a policy paper will come out in the next Meeting of Parliament for the information of Members of the National Parliament, the country and the Police Force.

**11/07**

#### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari-Pori - Minister for Finance) – I ask leave of the Parliament to move a motion without notice.

Leave granted.

**SUSPENSION OF STANDING ORDERS –  
REARRANGEMENT OF BUSINESS**

Motion by **(Mr James Marape)** agreed to –

That so much of the *Standing Orders* be suspended as would prevent the Minister for Education presenting his Ministerial Statement.

**TUITION FEE FREE (TFF) DISBURSEMENT IN 2014 –  
MINISTERIAL STATEMENT – MOTION TO  
TAKE NOTE OF PAPER**

**Mr NICK KUMAN** (Gumine – Minister for Education) – Good Morning Members of Parliament as you know this is my first time –

**Mr SPEAKER** – Honourable Minister, under the *Standing Orders*, you are required to address the Chair and not say good morning to Members of Parliament.

**Mr NICK KUMAN** – I sincerely apologise to the Chair. Mr Speaker, firstly, let me acknowledge and salute the hard working teachers right throughout the country. Under very difficult circumstances and situations, they deliver education to our children in this country.

The education system in Papua New Guinea is comprised by 11 000 institutions starting this year enrolled 1.9 million students with 48 000 teachers throughout the country teaching the basic and post basic education.

The growth and participation in all levels of the Education Sector has been remarkable since the year 2000.

Mr Speaker, gender equality access to education has been achieved since 2007. There is an emerging evidence of improvement in gender equality.

Mr Speaker, the Government of PNG has been able to use the recent economic growth to increase investment in the Education system in this country. Although improvement can be seen in the system a further increase in the universal would be required to achieve education development goals.

In 2012 the O'Neill – Dion Government petitioned Free Fee Education Policy that has provided educational access for all children in this country. There has been a 20 percent growth in enrolment since.

Mr Speaker, the Government has been very strong and committed in its pursuit of six major goals in education.

- 1) Early Child hood education.
- 2) Universal Basic Education we should achieve by the year 2019
- 3) Learned opportunities for our young people in this country the adults and life skills called technical training.
- 4) Adult literacy
- 5) Gender Priority and equality and
- 6) The quality of education in Papua New Guinea.

Mr Speaker, these goals are interjoined into the pelvic of the education plan for the country and are interlinked with the education development goals of the Government.

Mr Speaker, significant improvements can be seen since the Government of PNG introduced the TFF in 2012.

Additionally, the Government of PNG is proposing to what I refer to as a right to education or we say compulsory education policy.

Although access and participation in the education sector has improved the current objective of the Outcome Based Education curriculum which was only introduced about 10 years ago has received a lot of critics as a result in 2011 when Prime Minister Peter O'Neill took Office he directed the National Education Department to review the OBE system.

## **12/07**

The Task Force review concluded that the main causes for the failure of OBE was that the concept was conceived by outside experts, and it was difficult to use and manage this system at the National and sub-national level. In addition, there was inadequate planning and resources to support the full implementation of OBE. The majority of teachers in fact did not fully understand the conceptual framework of OBE.

To address the situation, GoPNG, NDoE and stakeholders will now have to work together to ensure that mistakes of the past are not repeated when implementing the new curriculum.

Mr Speaker, at this juncture, it gives me great pleasure to announce to Parliament and the people of this country that this Government will see the exit of the old OBE and introduction of the new Standards Based Education (SBE) curriculum commencing in the 2015 academic year.

I am also happy to inform Parliament that the hard working officers of the Curriculum Development Unit at the Department of Education have been working tirelessly over the last six months to develop the SBE curriculum.

In preparation for the introduction of SBE in 2015, the Department has been instructed to immediately conduct awareness and provide in-service Training for all teachers at the elementary level and lower primary level from Grades three to five.

The GoPNG needs to fully understand that it must continue to invest heavily over the coming years to ensure that the curriculum is fully developed with appropriate teaching materials, teacher training and significant amount of awareness must be raised with all stakeholders.

Mr Speaker, let me now inform Parliament on the major policies, strategies and reform initiatives in education and learning. The details are given in the 2014 State of Education in Papua New Guinea Report of the Department of Education.

The GoPNG has put in a tremendous effort to see increase in access and improvements in retention and quality of education. This effort has been driven by a number of important policies and program. These initiatives have been developed by the NDoE in collaboration with many key stakeholders.

The initial major education expansion and quality initiative was undertaken in 1991, when an education sector review was set up with an aim of increasing access and retention by increasing education coverage and the absorptive capacity of the education system by relocating grades 7 and 8 from high schools to community schools and introducing elementary school. The aim of this curriculum reform was to make curriculum more relevant by providing a curriculum that is more closely linked to children's cultures, and that will prepare them to go back to their communities as well as for future education and employment.

Since then, a number of education policies and plans have been developed and implemented with the goal of making education universally available to all Papua New Guineas. These included the Provincial Education Plans, Schools Learning Improvement Plans, Student Behaviour Management Policy, the Gender Equity in Education Policy,

Special Education Plan, Language Policy, Literacy, and Technical and Vocational Education and Training (TVET) Strategic Plan.

The most noteworthy plans include:

National Education Plan (NEP) 2005-2014, which was meant to serve as a road map for education in Papua New Guinea.

**13/07**

The prime objective of this plan is to provide a basic education for all and to give the opportunity for further education or training for all completing nine years of basic education.

Education Sector Strategic Plan 2010-2030, which was drafted in response to the need to align line departments' development mandates, programs, and activities with the Vision 2050 and the National Development Strategic Plan, 2030. Described in this plan are the goals, mission statements, outcomes, indicators, and the strategies that the NDoE will be guided by and pursued in the next 20 years.

Universal Basic Education (UBE) Plan 2010-2019, which was the first serious attempt by the Government of PNG to fast-track the achievement of the goal of UBE. Chapter 2 of this plan presents a situation analysis of the progress in the UBE core indicators to date. It also presents issues that hinder progress in schools access, retention, quality of teaching and learning, and education management and equity, as well as possible strategies to address them.

Mr Speaker, the two related programs were also created to achieve the aims of the National Education Plans and targets. The first program was the Education Access and Expansion Program, which was aimed at providing basic education for all children, and the second program was the Relevant Education for all programs, which was aimed at developing an education system that will meet the needs of PNG and its people and providing appropriately for the return of children to their communities, for formal employment, or for further education and training.

Mr Speaker, PNG development partners have implemented programs, in collaborating with the Government of PNG to support the country's education priorities, programs and outcomes. These included the Primary and Secondary Teacher Education Project, the Curriculum Reform and Implementation Project (CRIP), PNG School Journal Project, Basic Education Infrastructure and Curriculum Material Project, the Basic Education capacity Building, Textbook Procurement and Distribution, and the Institutional Strengthening Project.

The most significant policy introduced and implemented by the Government is the Tuition Fee Free Education (TFFE) Policy, which was initiated in 2011 and first implemented in 2012. The TFFE Policy takes the form of subsidised school fees for all students in PNG from elementary schools up to secondary and vocational institutions and permitted schools.

Mr Speaker, this policy was the abolishment of the school fees, particularly for the basic level of education, and the subsidisation of fees for the post basic education institution, except universities. The aim of the policy is to increase access to the different levels of education. However, it is increasingly evident that the quality of education is being compromised. Therefore, to attain the desired targets in access, retention, and quality of education, equal emphasis should be given to address the impediments of achieving these outcomes, particularly the outcomes relating to the quality of education.

Mr Speaker, let me now discuss the school of excellence. Let me inform this Parliament that the current education reform, it is the intention of this Government to see that all secondary schools in the country becomes the schools of excellence, rather than restricting this concept to National High Schools as it was the former system of developing schools of excellence aligning the National High Schools with Grade 11 and Grade 12 only. It is totally in line with the quality initiatives and intervention. In this way also the facilities for National High Schools can be develop for other education programs and plans for the Department of Education.

Mr Speaker, let me now touch on the Tuition Fee Free Policy. The TFF is normally distributed as per Ministerial Policy Statement (MPS) at beginning of each academic year.

**14/07**

In 2014, the Ministerial Policy Statement (MPS) set out the guidelines on how the government would pay schools the TFF funds totalling K605 million appropriated for the year.

The MPS applies at all education authorities and students attending schools and institutions within the National Education System (NES) that are currently registered and operating including Flexible Open Distance Education (FODE), Inclusive Education Resource Centers (IERC) and Approved Permitted Schools (APS).

Mr Speaker, as the Members of this Parliament know, the Government's TFF means that parents and guardians of students attending member schools and institutions of the National Education System do not have to pay the approved 2014 maximum fee limits set by

the National Education Board (NEB). Instead, the National Government allocated funds in the National Budget will pay in full the maximum fee limits from Elementary Prep to Grade 12 and Vocational Centres.

This government introduced the TFF Policy and is committed to ensure that all school age children in Papua New Guinea have a right to receive basic quality education. It has been a deliberate action taken by the National Government to relieve the financial burden off the parents since 2012. Nevertheless, parents are still required to pay for other non-tuition costs of education such as school uniforms, transport and lunches.

Mr Speaker, TFF is a strategic government policy which aims at no school principal, governing boards or any education authority within the National Education System is to deny any student from receiving education due to lack of payment of any school fees, including project fees.

Also, in 2014, the National Government made a one off payment of fees approved by the NEB for students attending Flexible open Distance Education, inclusive of Education Resource Centres and Approved Permitted Schools.

The Approved Permitted Schools only received an Education subsidy and may continue to charge other fees considered as relevant to the operations of their schools, but must have prior approval from either the provincial Education Board or NEB.

Mr Speaker, in February 2014, the Government paid out nearly K197 million to a total of 8,419 schools with student enrollment numbers totally 1,547,621.

The breakup of the amount by the level of school is:

- Elementary - K27 million,
- Primary - K92.2 million,
- Secondary - K66.8 million,
- Vocational - K9.7 million,
- FODE - K1.2 million'
- Special Education - K0.2 million.

With that, 4,132 schools are not included in the above to operational status and unconfirmed bank details. However, they been allocated their TFF due as soon as the status is verified and bank details become available?

Mr Speaker, The TFF is disbursed to schools according to schools according to the maximum fee limit set by the National Education (NEB).

In 2014, the approved NEB maximum tuition fee was:

- Elementary (EP, E – E2) - K110.00
- Primary Grades 3-8) - K297.00
- Lower Secondary (Day) - K999.00
- Lower Secondary (Boarding) - K990.00
- Upper Secondary (Day) - K1,089.00
- Upper Secondary (Boarding) K1,650.00
- Vocational (Day) - K990.000
- Vocational (Boarding) - K1,430.00
- Flexible & Open Distant Education - K110.00
- Approved Permitted Schools - K100.00
- Inclusive Education - K200.00

With the exception of the Approved Permitted and Inclusive Education Schools, the government contributes or pays the maximum tuition fee for all schools in the National education System.

Mr Speaker, in 2014, NEC had approved a School's Expenditure Structure for TFF to ensure that every child in the country is given a quality education. The onus is on schools heads and governing boards to ensure that the funds are properly budgeted according to their School Learning and Improvement Plans (SLIP), so that all key components of education are covered. The NEC approved three key components of the 2014 TFF, and these are:

1. School administration component (30%);
2. Teaching and Learning Resources (40%); and
3. School Infrastructure component (30%).

## **15/07**

The Department of Education is mandated to ensure that all children in school receive quality education and this requires sufficient supply of quality teachers, students and teachers' curriculum and resource materials, quality assurance and infrastructure development which ultimately means that more resources are required.

The Parliament is aware that the first recipients of the TFF will enter grade three in 2015. And with forty per cent growth in the enrolment in this country will demand for additional classrooms, teachers and teachers' houses in every school. And I call on the Members of Parliament to use their DSIP and PSIP to partner with the Government so we can

deliver most needed teachers' houses and the classrooms to accommodate the increasing number of students that will enter into grade three in 2015.

Mr Speaker, under the 2013 TFF funding, K40 million was allocated to a trial school commodity delivery system. This trial started this year and obviously we all know that in the beginning of the third term saw the first batch of the commodity component launched in Abau.

We are now rolling right throughout the country and I urge all Members of Parliament to take ownership of this component and let us all deliver it to all schools in your respective electorates. In response to constant debate here in Parliament over the mismanagement of the TFF by school managements and boards at all levels; I am pleased to announce that from 2015, the Government will ensure that there is better accountability and transparency in the disbursement of the TFF.

Mr Speaker, to achieve this objective the Government will put in place a mechanism whereby all provincial treasurers will become compulsory signatories to the accounts for all national high schools, secondary schools and high schools in the province and all primary and elementary schools in the districts.

This arrangement will ensure greater control and accountability on the use of funds for the schools and for our benefit of the children. And it is my sincere hope that key agencies will help the education sector towards achieving its goal. It is clear that the Government will have to invest more money to achieve our goals and provide quality education through the implementation of standard based curriculum.

Debate (on Motion by **Mr James Marape**) adjourned.

### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari-Pori-Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

**SUSPENSION OF STANDING ORDERS –  
REARRANGEMENT OF BUSINESS**

Motion (by **James Marape**) agreed to-

That so much of the *Standing Orders* be suspended as would prevent Notice No: 155, 156 and 157 from being called forthwith.

**16/07**

**REGULATORY STATUTORY AUTHORITIES (APPOINTMENT OF  
CERTAIN OFFICERS) (CONSEQUENTIAL AMENDMENT) BILL 2014**

**First Reading**

Bill presented by **Mr Patrick Pruaitch** and read a first time.

**Second Reading**

Leave granted to move the second reading forthwith.

**Mr PATRICK PRUAITCH** (Aitape-Lumi – Minister for Treasury) – I move –  
That the Bill be now read a second time.

Mr Speaker, consistent with our Government honoring the pledges made and in accordance with the *Alotau Accord*, we pledged to ensure that the projected wealth from our economic development will be made to benefit all our people and not the privileged few living in urban centers.

Therefore, to achieve this noble objective we must ensure that the government's revenue agencies are operating within maximum efficiency. This means that the Internal Revenue Commission and the Customs Service must be properly resourced with financial resources.

Mr Speaker, to make this happen these two premiere revenue collecting institutions must be made accountable for their own human resources. They must compete in the labour market for the best people who will be motivated to make their careers in the revenue raising

services. For this purpose, the National Executive Council (NEC) has determined that the two deemed departments of the National Public Service must be transformed into statutory authorities.

Mr Speaker, the Parliament has already passed the *Internal Revenue Commission Bill* in May of this year, and I am pleased to report that the Internal Revenue Commission will be brought into operation as the newly created statutory authority on the 18<sup>th</sup> of September, 2014.

Mr Speaker, on the same token, with the full backing of the Government I am bringing the *PNG Custom Service Bill* to enable Parliament to create the PNG Customs Service as a statutory authority.

Mr Speaker, in support of this Bill, I will briefly set out the grounds and the rationale for separating PNG Customs Service for the National Public Service.

The core mandated functions of the PNG Customs Service are:

1. Border security and enforcement;
2. Trade facilitation; and
3. Revenue protection and collection.

The PNG Customs Service is affiliated to a number of international customs bodies which sets us the rules governing the movement of goods and services across international borders. Papua New Guinea has been a member of the World Customs Organisation since 18<sup>th</sup> March, 2001 and the PNG Customs Service is committed in maintaining a professional organisation, which is transparent, ethical and has integrity which are the principles of the World Customs Organisation.

Our customs service has international obligations to operate effectively and to abide by the rules, especially, to ensure security of the international supply chain while using cross border trade to attract and sustain foreign investments.

Mr Speaker, the PNG Customs operates at 21 ports and offices around the country to administer and enforce eight pieces of legislation. Where our rapid economic growth with everything at about 8% per annum for the past eight years and the increasing volume of goods entering the country through our ports pose constant challenges that are overwhelming the PNG Customs Service as it is currently established and resourced.

The revenue target of K2.6 billion in the 2014 Budget or 20% of the total appropriation is at the highest level ever and due to this suffering situation this might not be achieved. Yet, potentially this figure can be raised substantially if the service was adequately

resourced. As our economic development takes place in the resources sector our best trained and qualified staff continue to be lured away causing a real threat to the government's border security and trade facilitation responsibilities.

**17/07**

This has an adverse impact on our revenue collection performance.

Mr Speaker, one-third of the customs service funded staff ceiling has been made vacant over a number of years. The ability to recruit and maintain professionals and technical staff in all disciplines is the biggest problem. Whilst we recognise the expertise of skilled people in government in all levels the revenue raising agencies must be given a competitive edge.

Mr Speaker, the World Bank has recommended that, based upon the country's rapidly growing population and the rapidly growing economy the customs service's establishment need to be doubled over the next year. Revenue can be collected consistently with a projected volume and value of imports.

Mr Speaker, there is an ever present collusion and corruption within the PNG Customs Service as a result of poorly paid staff in positions carrying high level enforcement responsibility and revenue collection. The Commissioner is establishing a customs service college jointly with the Divine Word University to enhance training and staff development, and creation of a customs service culture. Hence, they will be a growing need for terms and conditions, which will retain highly qualified customs officers.

As with the Internal Revenue Commission, there is a need for a complete overhaul of the staff terms and conditions to modernise and make them more competitive and performance related.

Mr Speaker, therein lies the problem, that, the current *Customs Act 1959* and being of pre-Independence vintage has no provisions for the government structure or for the staff of PNG Customs Service. The PNG Customs Service is classified as a department of the National Public Service. Consequently, the Commissioner of Customs is deemed to be the departmental head of the PNG Customs Services under *Section 70* of the *Public Service Management Act*. Hence, the salaries and allowances of custom officers are determined in accordance with the Public Service General Orders.

Mr Speaker, this restricts the PNG Customs Service to set terms and conditions to recruit, retain and motivate senior professional and technical officers in competition with the commercial centre.

Mr Speaker, the other customs administrations in the other Commonwealth countries enjoy significantly greater autonomy from centralised Public Service control of staffing levels and terms and conditions of employment. These countries are able to recruit, maintain and motivate an adequate sub-contingent consistent with levels of revenue and enforcement to be sustained.

Mr Speaker, therefore, the government has recognised the need to free up the revenue raising agencies from the tied uniformity of the National Public Service. Hence, the Bill before us today will transform the PNG Customs Service into an independent statutory authority. The staff terms and conditions will of course be subject to the ongoing monitoring and regulations by the Salaries and Conditions Monitoring Committee. This will ensure compliance with policy and budgetary controls.

A provision has been billed into the proposed PNG Customs Act as with the Internal Revenue Commission Act that enables a percentage of revenue to be retained to meet the current cost of running the service.

Mr Speaker, this provision is of course subject to strict control by the Treasury relayed to the level of performance and revenue collection. It will be a great incentive for PNG Customs as a statutory authority to strive for greater achievements in its core functions.

Mr Speaker, I therefore, humbly commend the Bill to Parliament.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **Third Reading**

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

**18/07**

**Dr ALLAN MARAT** (Rabual) – Mr Speaker, I want to raise a point that we as Legislators must take note of. We need to better inform ourselves that when there are references to the principal act, we would like to at least see a copy of that appropriate page attached too, so that we are aware of what the existing law is and what we are amending. Otherwise we will be ill-informed, on whatever laws we are passing.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

## **CUSTOMS (AMENDMENT) BILL 2014**

### **First Reading**

Bill presented by **Mr Patrick Pruaitch** and read a first time.

### **Second Reading**

Leave granted to move the second reading forthwith.

**Mr PATRICK PRUAITCH** (Aitape-Lumi – Minister for Treasury) I move –

That the Bill be now read a second time.

Mr Speaker, I have covered the statement on this Bill together in my previous statement on the previous Bill.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **Third Reading**

Bill, by leave read a third time.

## **PAPUA NEW GUINEA CUSTOMS SERVICES BILL 2014**

### **First Reading**

Bill presented by **Mr Patrick Pruaitch** and read a first time.

### **Second Reading**

**Mr PATRICK PRUAITCH** (Aitape-Lumi – Minister for Treasury) – I move –

That the Bill be now read a second time.

Thank you, Mr Speaker The bill before us is, for the first time creating the Papua New Guinea Customs Service as a statutory authority. The Act defines the powers and functions and the governing structure of the statutory authority.

Mr Speaker, this Act is a law governing matters of national interest pursuant to provisions of the Constitution and is made for the purposes of giving effect to the public interest in public welfare.

The Papua New Guinea Customs Service performs a number of important functions which are critical to the integrity of the State and to the economic wellbeing and development of a prosperous future for the country in the following ways:

Border protection and enforcement of the Customs Regulations to prevent the import of prohibited substances and dangerous goods,

Trade facilitations through promotions of customs regulations consistent with international best practices governed by the World Trade Organisation, and raising the customs revenue for the State through the imposition of tariffs on imported goods.

Mr Speaker, in summary the mandate of Papua New Guinea Customs Service is to ensure security of the international supply chain while reducing the costs of cross border trade to attract and sustain foreign investments.

Currently, Mr Speaker the Papua New Guinea Customs Service is deemed to be a department of the national public service; subject to the *Public Service Management Act 2014*.

The Commissioner of the Customs Service is deemed to be a departmental head, the application of the Public service General Orders and the staff terms and conditions place restrictions on the Service which are not conducive to high levels of performance.

The Service has been experiencing serious problems in being able to recruit, retain and motivate adequate caliber of professionals and technical staff and the Service has performed below par in difficult circumstances.

The legislative amendments are designed to give greater license to the Chief Commissioner to enable greater levels of incentives for good performance.

## **19/07**

In performing these functions the exercises and its powers the Papua New Guinea Customs Service is responsible for administrating the following legislation;

- (1) *Customs Act Chapter 101.*
- (2) *Customs Exercise Act 105.*
- (3) *Customs Exercise Tariff Act Chapter 107*
- (4) *Customs Tariff Act*
- (5) *Customs Personal Effect Regulation*
- (6) *Customs Forfeited Imports Regulation*
- (7) *Customs forfeited exports regulation*
- (8) *Customs Regulation.*

Amendments have been made as necessary to the respect *Acts* and *Regulations* in order to give recognition to the *PNG Customs Service Act*.

The *PNG Customs Service Act* has the following important features;

- (1) Minister to bring the *Act* into operation as soon as necessary admmissive to procedures transitional provisions are in place.
- (2) To establish a Body corporate as an organ an instrument of the State Statutory Authority in order to perform the functions prescribed by the *Act*.

(3) The PNG Customs is not a Department of Public Service and not subject to the *Public Service management Act* enabling the Chief Commissioner to set the terms and conditions of the staff with necessary incentives to recognise the special needs of the Service.

(4) The role and functions of the Minister are defined according to the need for the Minister to provide policy and specific direction, but not to give direction and administrative and staffing matters.

(5) The Chief Commissioner and the two Commissioners are to be appointed under the provisions of *Section 208 b* of the *Constitution* and a *Regulatory Authorities Appointments to Certain Officers Act*.

(6) The Custom Council is established with the Chief Commissioner and two Commissioners has the body to formulate strategic and policy advice to the Minister and to make necessary audits to administer the service.

(7) Powers and functions of the Custom Council is also defined as the Governors Body of the Service. All decisions under the legislation remain at the sole prerogative of the Chief Commissioner having consulted the Commissioners through the Council.

(8) The establishment and appointment of the Chief Commissioner of the Customs as the head of the Service and two Commissioners are appointed under the *Regulatory Statutory Authority Appointments Act* by the head of State on advice.

(9) Powers and functions of the Chief Commissioner and the Commissioners are defined in the *Act*.

The Staff of the Customs act is created subject to appointment by the Chief Commissioner on such terms and conditions subject to application of the *SEMC Act*.

Funds of the Customs Services are subject to the *Public Finance Management Act* applicable to a Statutory Authority. The Service may appropriate marginal revenue for the purpose of meeting recurrent costs subject to budgetary limitations.

Custom duties and revenue accounts and application of the *Public Finance Management Acts* are defined.

Standard transitional and training provisions are provided for the transfer of assets and staff and liability to service the first Chief Commissioner is the Commissioner of Customs coming into operations of the *Act*.

The first Commissioners are to be appointed in acting capacities and substantive appointments through the Merit Based Selection Process.

All staff in the service when the Act is made operation the internal staff of the Custom Service their full service and service related entitlements are guarantee to occupy the same positions but no longer subject to the Finance Management Act. All contractual agreement are preserved to the general serving provision.

Mr Speaker I commend the Bill.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from His Excellency, the Governor-General dated 19 August 2014 was announced in accordance with *Section 210* of the *Constitution*, recommending the expenditure of public moneys insofar as the Bill relates to and provides for such expenditure.

**20/07**

#### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – put.

The Bill requiring an absolute majority as required by the *Constitution*, the Speaker ordered that the bells be rung.

**21/07**

The Parliament voted (the Speaker, **Mr Theodore Zurenouoc** in the Chair) –

**AYES – 64**

**NOES – 0**

The Bill passed with the concurrence of an absolute majority as required by the *Constitution*.

Bill read a third time.

**Mr SPEAKER** – The Chair wishes to make two announcements; one is from the Minister for Works that there was to have been an invitation for a program in Mount Hagen for tomorrow but has it has been deferred. A program themed as ‘No To Compensation’, and if you were given an invitation, the program has been deferred until further notice.

The second announcement is to inform all the Members of Parliament that the Constitution Law Reform will be making a presentation on the review of the *Organic Law on Provincial Government and Local-Level Government* during lunch today at the State Function Room and all are invited to attend.

Sitting suspended from 12 noon to 2 p.m..

**22/07**

**PERMANENT PARLIAMENTARY COMMITTEE ON PUBLIC ACCOUNTS  
– INQUIRY INTO THE MADANG PROVINCIAL GOVERNMENT –  
PAPER NOTED**

**Mr JOHN HICKEY** (Bogia) – I present the following Paper pursuant to statute:

*Permanent Parliamentary Committee on Public Accounts –  
Report to the National Parliament on an Inquiry into the Madang  
Provincial Government.*

I ask leave of the Parliament to make a statement in connection with the Report.

Leave granted

Mr Speaker, I am sorry to say that the Madang Provincial Government is a failed provincial government it cannot manage itself or its finances and deliver services. The Madang Provincial Government is incapable of performing itself without the assistance from the National Government.

This is very important. There are reasons why the Madang Provincial Government is a failed government but they are not entirely due to the Madang Provincial Government itself. The Committee and Auditor-General found illegal mishandling of money, corruption, abuse of power, no public respect for the provincial government, no accounts or records, ineffective or no internal control, no corporate governance, no statutory reporting, a break down in the administration of the province, the Province's incapacity to implement national policy, and daily breaches of the *Constitution*; the *Public Finances Management Act*, the *Organic Law on Provincial and Local Level Governments*, financial instructions and the *Public Service Administrative Act*. These failures have been entrenched for many years. The provincial administration has no control or authority, the provincial treasury has failed to produce some accounting reports. There is no hospital board and there has been no provincial health board for 14 years.

There is no education board, no land transport board no any other boards of management at the provincial level. There are no lawful provincial statutes or a confident system of gazettal. Management of grants, DSIP and ADP is extremely poor with very few records.

The affairs of the Madang Provincial Government have been disclaimed by the Auditor-General for many years.

**23/07**

The Auditor-General has disclaimed the Provincial Government for many years. This disclaimer means that the Auditor-General has been incapable of conducting an audit because there are no reliable records, accounts by natural statements, asset registers, register of loan guaranteed, borrowing, and trust accounts and many more.

The abuse of public money is endemic and this problem cannot be attributed to politics, it is an administrative breakdown. I might add to this that none of the LLGs in the provinces have been audited; some for as long as 30 years. And yet these entities continue to receive full funding annually.

The PSTB, internal audit and provincial departments are completely ineffective. Statutory controls are ignored and misused to gain access to public money. There is no working relationship between the Provincial Administrator and the treasurer. Huge and unbudgeted amounts are spent on hire cars, accommodation and travel with no lawful basis or reasons.

The commercial arm of the Madang Provincial Government; the Madang Development Corporation makes no account reports, financial statements and statutory returns neither to the provincial administration.

The treasurer has any idea of the state of the company, its operation, profitability, viability, the state of its assets and subsidiary business. And yet our provincial government in its willingness to assist this entity provides K500 000 assistance annually with no apparent result. The National Government's development policies are generally well intended and responsible but the Public Service at the national and sub-national level has failed to implement this policy and has no apparent ability to do so.

The Organic law on Provincial and Local Level Government is complex, unclear and not workable. It needs to be repealed and replace with a simple act; which both the national and provincial governments can understand and comply with. For instance; there are 32 pieces of legislation that should have been enacted at the time the Organic Law on Provincial and Local Level Government was brought in.

Mr Speaker, it was interesting and worthwhile meeting that we had during lunch. There were excellent ideas and comments raised but despite the fact that there have been no lawful accounts and financial statements, huge amounts of money have been appropriated to the Madang Provincial Government annually, with little or no benefit to the province. We have had an inquiry into Oro, Gulf and we'll be going to the Western and other provinces.

**24/07**

I might add, the Madang Provincial Government is much better than the other provinces that we have inquired into.

Mr Speaker, the committee requires immediate national intervention to control fiscal abuse and to rebuild systems of administration and service delivery. This should be a national priority and done immediately and my committee recommends this. My committee will inquire into every provincial governments starting with Oro, Gulf and we fully expect to find similar or even worse failures and make similar recommendations.

Mr Speaker, in the immediate future and provincial governments and districts will be asked to implement and manage huge development budgets. Drive service delivery and national developments to new heights that I would never imagined when I first came to Parliament. For example, Members would be provided with K10 million each year for their districts and this will be further increased.

Mr Speaker, unless we address this serious problem of fiscal responsibility and accounting, and human resource management we will not go anywhere. The serious and continual waste will increase and it will become an endemic and entrenched into the future. Provincial governments are currently incapable of lawfully and productively managing, applying or accounting for public money and property to any acceptable standard.

Finally, the committee has sent 38 letters of recommendations and referrals for investigation and possible prosecution to the Ministry, Minister of State, the Taskforce Sweep, IRC, Departments of Finance and Treasury, Provincial Affairs, Personal Management, IPA and many more. Each letter of referral had an average of seven individual referrals. We made a total of 140 referrals for serious misconduct and no reply has been received from any of these letters. Not even a common courtesy of an acknowledgement of receipts were received.

As far as the Committee can tell, no action has been taken at all to address the state of affairs in the Madang Provincial Government, which continues today.

Mr Speaker, I would like to at this stage, thank my Committee members and the members of the secretariat. I have a very dedicated group of people and we have spent much time and effort researching, carrying out inquires and working closely with the Auditor-General on these matters. I commend this Report to Parliament.

I move –

That the Report and its recommendations be adopted.

**Mr JIM KAS** (Madang) – I would like to commend the Chair of the Public Accounts Committee for tabling the Madang provincial government’s Report in Parliament.

I appreciate the work that the secretariat has done in supporting the Chairman and I also appreciate that the Report has come before this Parliament to at least be screened.

**25/07**

The inquiry into the Madang Provincial Government but the Madang Provincial Administration had done whatever they could have to paint a very bad image of the Madang Provincial Government. I think these two entities have to be clearly defined but, no matter which way you wish to dissect in making a difference between these two it still is the Madang Provincial Government.

I, as head of the Madang Provincial Government wish to state here that I accept the report and the anomalies that have been happening over the years, I, as the Governor for the province am not very impressed with what has happened over the years.

I attended a lunch hour meeting by CLRC on the possible reforms that has been created by this Government. I would like to thank this Government for having the vision to say that, we have to review the provincial government system after twenty years. Therefore, I, for one, have stood in that gathering and made my thoughts known and that was, to stand with the rest of the Regional Members.

I said in that meeting that, we should abolish the regional seats and the provincial governments. That was what I said and I will not withdraw the statements that I made. Therefore, I would like to make my position clear regarding this issue. I am also taken aback by what has happened to my Government over the years and I accept responsibility for what has happened for what the public servants have done for painting a very bad image of the Madang Provincial Government.

With that, this CLRC meeting regarding muting the reforms towards addressing the issues on possible reforms for the provincial and local level government reforms that are being muted. In that meeting I had said that, we should look at diverting funds straight to the districts and I think that, this is one way of avoiding the problems that happened at the provincial head quarters. I think provincial public servants have come to seeing it as a knack for opportunities.

Therefore, I think that those opportunists and those public servants have over the years have seen it as a feeding ground for whatever purposes that they may have. For

example, their hidden agendas that they have in looking after themselves have become the core of their responsibilities and they have forgotten their purpose of being there.

Therefore, in commending the Chairman for Public Accounts Committee and being from Madang, I have to admit on this Floor of Parliament, I had wanted to ask you to not chair the meeting because you were from the province. This was because I thought you were creating a conflict of interest by heading the committee hearing at Divine Word University (DWU) but then, I said, I would let that pass and see the outcome of this Report.

Therefore, whatever that has come out here I believe that it is the same for nearly all provincial governments throughout the country. If the Chairman's says that the Madang Province is a bit better then, we should be wondering about the other provinces would be like.

Nevertheless, it is good to bring it on this Floor of Parliament because whilst the agenda of muting the reforms are here. We should then refer to this report and look at the reforms that have been suggested in the *Organic Law on Provincial Governments and Local-Level Governments*. Therefore, we can then draw from the reports that are going to be tabled here so that we can decide on what sort of laws we should have for the provincial and local level governments.

I think that it is very timely that we should draw from one to make a decision on the other. I do not want to say much regarding this matter but let me say on this Floor of Parliament that, as the Governor of the province I do not feel good standing up here talking but it is good that the report has come out. With that, it is also time public servants in Madang Province and throughout Papua New Guinea knows that they are being scrutinised.

**26/07**

Some sections of the *Organic Law* and some section of the *Public Finances Management Act* should be referred to so that they can try to do some things better. Otherwise the reports that have been presented for Madang will be the same report that will come from all the other provinces except for Hela Province.

In all honesty, having heard from the Chairman I feel really bad but, at least the report has come out and I commend the Chairman, his committee and the secretariat for having done a wonderful job.

For all the recommendations that they have made, I would like to tell this Parliament that a couple of arrests have been made regarding the report. The former provincial

administrator and his former finance director have been arrested by the police fraud squad and they will be answerable to all the charges that will be put forward to them.

So, I think something is happening from the referrals that you have made, which you claim to not have received any feedback on. I know that something fruitful has come out of the reports that you have submitted.

And from this report, as Governor I will try my very best, together with my provincial administrator to improve on from the report that you have presented to this Parliament.

**Mr SAM BASIL** (Bulolo) – Thank you, Mr Speaker. I wish commend the Chairman of the Public Accounts Committee, Honourable John Hickey for presenting this report. I am sure that if I am the Chairman, we would also be sitting here with the Morobe Provincial Government Report.

I would like to take this opportunity while here to request through the Chair to the Chairman that the Morobe Provincial Government Report also be presented in Parliament.

In the previous months and years, we have received reports from all the provincial government except from the newly established Hela Province. They are all very damning reports because many provincial governments bring in their reports to the Auditor-General's Office very late, often two, three, four or even five and six years late. And they have breached many laws of this country and nobody has been charged because by the time the reports are presented many of the people working at that provincial government have moved on.

But, Mr Speaker, I believe that it is only fair that the next report should come from the Morobe Provincial Administration because it is the biggest province in the country and gets the biggest slice so it is only fair that before you go anywhere else I wish and I humbly implore that we should look into Morobe Provincial Administration because we need it and there has been a lot of money spent already.

Mr Speaker, I also like to come back to the functions of the Public Accounts Committee. I think the current Chairman is the longest serving Chairman in the last 10-15 years of this Parliament. I commend him for that.

I believe that the previous Chairman, the former Member for Nawae, Mr Timothy Bonga presented something on the Floor of Parliament to strengthen the Public Accounts Committee, to give it more teeth. This is so that if you recommend for prosecution you must have prosecution because a lot of people implicated are influential people. So when you

recommend from the Public Accounts Committee to the Office of the Public Prosecutor, the Office of the Attorney-General or Ombudsman Commission or others they don't seem to move on those things.

In the next few months I believe the Public Accounts Committee will come in with a lot more damning reports and we will continue to say yeah, yeah, yeah and then we will do nothing. And then elections come, we go, a new Public Accounts Committee is set up again and they will start creating new files on many misuse, abuse and whatever.

So, Mr Speaker, I believe that in this House, from now on we all have a responsibility to encourage the Chairman and his Committee to bring forward amendments to give them more prosecution power so when they finish their recommendations they walk from the investigation straight into prosecution. In this way we will start seeing people being held responsible for whatever they do in making this country look bad through corrupt practices.

**27/07**

Motion (by **Mr James Marape**) agreed to –

That the question be now put.

Motion – That the Parliament take note of the paper – agreed to.

**PARLIAMENTARY REFERRAL COMMITTEE ON EDUCATION –  
INQUIRY INTO THE DISBURSEMENT OF TEACHERS SALARIES  
AND ENTITLEMENTS – REPORT – PAPER NOTED**

Debate resumed from 21 February 2014 (See page ...)

**Mr ROBERT GANIM** (Wabag) – I present the following paper:

*Parliamentary Referral Committee on Education –  
Report to Parliament: Strongim Tisa, Strongim Klasrum – Inquiry into  
the Disbursement of Teachers' Salaries and other Entitlements at the  
Elementary, Primary and Secondary schools in Papua New Guinea.*

I move –

That the Report and its recommendations be adopted.

I ask leave of the Parliament to make a statement in connection with the Report.

Leave granted.

Mr Speaker, it gives me great pleasure to present this Inquiry Report by the Parliamentary Referral Committee on Education into the disbursement of teachers' salaries and other entitlements at the elementary, primary and secondary schools in Papua New Guinea. The Report titled '*Strongim Tisa, Strongim Klasrum*' are catch phrases stating the improvements to teacher's teaching conditions which will determine their performance in the classrooms.

Mr Speaker, the inquiry was conducted through the Committee's own initiatives with seven terms of reference adopted by the Committee as a guide through the course of this inquiry. The Committee embarked on the inquiry into the teachers' salaries and entitlements which have become a matter of public importance when considering its continuity over the years.

Mr Speaker, the Committee has undertaken this inquiry in a more transparent manner thus allowing the public to participate. There were four regional public forums held from March 17 to 31, 2014. For two weeks, the Committee had heard written submissions. A public hearing was held in Parliament on 10 April 2014 in which the Department of Education, Teaching Service Commission and PNGTA appeared before the Committee.

Mr Speaker, the problem faced by teachers with their salaries and entitlements had been a part of the National Education system over the years since independence. The teachers seemed to be the forgotten public servants in Papua New Guinea. Despite this, the teachers have remained the most hard working and determined public servants. The future of our children has been a concern and the determination despite all the difficulties they have encountered during their teaching careers and viewed from length and breathe of this country.

Mr Speaker, with the O'Neill-Dion Government's Free Tuition Fee policy, the focus has been on the children to attend schools without much consideration on the plight of the teachers. This have been not been captured in this Government's policy. This Government's policy should have continued the flight of the teachers in terms and salaries and entitlements.

Mr Speaker, the Committee after its findings made three recommendations of which I will go through quickly:

(1) An immediate review be conducted into the Department of Education and the Teaching Service Commission, and this review should focus on the adequacy and effectiveness of the processing of teachers' salaries and entitlements in particular, the role of Teaching Service Commission and secondly, the role of the Department of Education at the National and provincial levels.

**28/07**

(2) That the National Government conduct comprehensive reviews to amend relevant sections of the Teaching Service Act 1988 that defines the allowances and entitlements of Teachers.

(3) That the Teaching Services Commission in consultation with the Department of Education conduct the review into the appointment process of teachers, with the view to empower and equipped the provincial education authorities with appropriate powers and technologies to improve the process and database.

(4) That the Teaching Service Commission and the Department of Education to consider increasing the teachers' appointment tenure from three years to five years.

(5) That the National Government consider identifying a more suitable and workable payroll system for teachers or reconfigure the ALESCO pay system so that it can suit the specifications of salaries and entitlements for teachers.

(6) That the Department of Education to empower provincial education authorities through the decentralisation process to take full ownership of the ALESCO pay system, or any appropriate payroll system.

(7) That the National Government directs the Department of Education to conduct an audit into Teachers leave Fares with the view to pay the leave fares direct into teacher Bank Accounts.

(8) That the National Government directs the Department of Education and the Teaching Service Commission and Provincial Administrations to conduct an annual update for teachers in the first quarter of each year.

(9) That the National Government considers the plight of Teaching Service Commission and empowers it with annual budgetary appropriation and financial

responsibilities to operate as an autonomous entity of the state as per the Teaching Service Act.

(10) That the Department of Education and the Teaching Service Commission conduct review into the processes and procedures on retirement; retrenchment and resignation of teachers in the Teaching Service.

(11) That the National Government through the Department of Education develops, a modern standardised system to keep records and database for teachers. The system should be transferable to allow provincial education office to access and update the data on teachers from time to time.

(12) That National Government reconsiders and revisits the functions of the Teaching Service Commission with the view to increase the manpower capacity and to manage teacher payroll system independently.

(13) The National Government through the Department of Education and Teaching Service Commission to provide response to the recommendations within three (3) months of the tabling of this Report.

Mr Speaker, I commend my Committee's Report to Parliament.

Motion – That the question be now put – agreed to.

Motion – That the Parliament take note of the Report and its recommendations – agreed to.

### **MOTION BY LEAVE**

**Mr JAMES MARAPE** – (Tari –Minister for Finance) – I ask leave of the Parliament to move a motion without notice.

Leave granted.

**SUSPENSION OF STANDING ORDERS –  
REARRANGEMENT OF BUSINESS**

Motion (by **Mr James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent the Treasurer from presenting the Mid-Year Economic Report.

**STATE OF THE ECONOMY AND 2014 BUDGET REVIEW  
FOR FUTURE GROWTH – MINISTERIAL STATEMENT –  
MOTION TO TAKE NOTE OF PAPER**

**Mr PATRICK PRUAITCH** (Aitape-Lumi – Minister for Finance) – Thank you Mr Speaker, for the opportunity to present to this Honourable Parliament a Ministerial Statement on the State of the Economy and 2014 Budget Review for Future Growth for the benefit of honourable Members and the people of Papua New Guinea.

Mr Speaker I have chosen this theme because we are faced with unprecedented opportunities and challenges.

By knowing where we are and where we come from, we will be able to chart our future for the collective benefit of our people.

Mr Speaker, I propose to address the theme of this ministerial statement in three parts:

(1) I will provide an update on the current state of the Papua New Guinea Economy. Under this discussion I will also give a review of the 2013 budget.

**29/07**

(2) I will outline the rationale and expected outcome of the 2014 Budget Review to be undertaken independently to verify our confidence in our management of the national economy.

(3) I will offer some thoughts on possible policy direction for consideration by Members of Parliament at appropriate and feedback time so that they could in turn be part of overall policy directions to underpin 2015 National Budget. These policies will further strengthen our collective resolve to shift revenue to develop rural areas where bulk of our people live.

Mr Speaker, I will now start with the State of Economy. From the outset, let me say that the PNG Economy continues to grow in 2014 largely supported by Gas and Mining sectors.

Mr Speaker, this means PNG's economy outlook continues to remain positive in 2014 with the domestic economy projected to grow at 6.2 per cent, representing 14 years of uninterrupted economic growth.

Mr Speaker, the strong growth is supported by:

- The gas and petroleum sector with the first production and export of PNG LNG project gas.
- It is also supported by a rebound in the mining sector as key mines return to normal production in 2014 after the disruptions encountered in 2013. Nickel production is also expected to ramp up to over half of full capacity lifting total output from the sector in 2014.
- The agriculture, forestry, fisheries sector, and other non-mineral sectors are also expected to record positive growth rates in 2014. In contrast, the construction sector is expected to contract reflective of the winding down of the construction phase of the LNG project.

Mr Speaker, in terms of domestic inflation, PNG's level, although anticipated to pick-up in 2014, will remain within manageable levels.

Consistent with the outlook, the Central Bank of PNG continues to maintain its monetary policy stance with the Kina Facility Rate (KFR) at 6.25 per cent. Domestic interest rates are anticipated to closely follow the Central Bank's monetary policy stance.

Mr Speaker, with the rest of the world, PNG's trade activity is expected to improve with PNG's first LNG exports and a rebound in other exports in 2014.

An improvement in its current account deficit is expected in 2014, largely because of the importation of capital and labour for construction of the LNG project. The current account is expected to shift to a surplus in 2015 due to the full production of the LNG. With the improvement in PNG's trade activities and the establishment of the Sovereign Wealth Fund (SWF), this is anticipated to result in a more stable local currency.

Mr Speaker, sharing the same outlook on the PNG economy, the internationally renowned Standard and Poors Rating Services, early this year rated PNG B+/Stable/B. What this means is that PNG's outlook remains stable based on the PNG LNG project, as accurately anticipated is now exporting ahead of schedule.

Let me assure this Honourable House that the Government will retain its stake in the project and refinance its related debt resulting in our external fiscal imbalances easing with the increased output.

It also indicates on the fiscal side, public debt is likely to stay low despite more development spending; as well politically, our policy development environment is weak, however, recently there have been some improvements.

In addition, the B+/Stable/B rating, indicates strong potential of resources and allied sector with large current account deficits which partly, reflect Foreign Direct Investment financed LNG project construction and economic growth.

Mr Speaker, let me now turn to the Provisional 2013 Budget Outcome.

### **30/07**

The 2013 Budget deficit is higher than originally expected. The provisional 2013 Fiscal Budget outcome was at deficit of K323.2 million or 8.7 per cent of GDP. This is higher than the original 2013 Budget estimate of K2548.9 million or 7.2 per cent of GDP. The higher overall budget deficit is reflective of overspends in the recurrent budget, in particular higher than anticipated spending in national department goods and services and lower spending in the development budget reflective of lower concessional loan drawdowns and project support grants. The higher overall 2013 budget deficit is also reflective of lower total revenue and grants in particular lower receipts from non-tax revenue particular mining and petroleum dividends and taxes, project grants and the infrastructure tax credit.

Mr Speaker, the key message from the provisional 2013 final budget outcome is that, the 2013 Budget could have been better implemented if:

- There was discipline to ensuring the national department goods and services spending remain within budget appropriation.
- There was discipline to ensuring that there was faster draw down of concessional loans and project support grants and
- There was discipline to ensuring the budget received its due mining and petroleum dividend.

Mr Speaker, the provisional outlook in 2013 budget calls for full implementation of the 2014 budget as endorsed by Parliament last year.

Mr Speaker, let me now give an update on the 2014 Budgets implementation. From January to April of 2014 the government released 35percent of funds under the 2014 budget.

As we all know the 2014 total budget is K15 293.9 million which includes the Government of Papua New Guinea component of K12737.9 million and donor counterpart of K2556 million. At the end of April; 2014 35 per cent of government funds were released.

Mr Speaker, on the key government programs, the following funds has been released. For the Service Improvement Programs, 10 per cent of PSIP, 20 per cent of DSIP and 10 percent of LLGSIP has been released. Release of funds for major road upgrades include 40 per cent for the highlands highways, Lae city roads, 55 per cent released, Port Moresby city roads 79 per cent released, national roads rehabilitation and maintenance 40 per cent, Mt Hagen city roads 100 per cent released.

For bridge maintenance, national bridges maintenance and reconstruction 40 per cent released while education subsidies 71 per cent released. On the health services, medical equipment 100 per cent released. Hospital rehabilitation program, 21 per cent released. For Lae Port and tidal basin development, 50 per cent released. Civil Aviation Sector Development Investment, 60 per cent was released and for Works; jetties rehabilitation and construction, 50 per cent released.

Mr Speaker, on the South Pacific Games, K315.8 million was reappropriated under the 2013 Supplementary Budget of this amount a warrant of K2017.6 million was released and a cheque of K50 million was issued in March 26 this year from the SP Games Trust Account within the Waigani Public Accounts. A balance of K98.2 million to be settled through unused funds of K155.9 million was identified during the close of accounts. For the year 2014, South Pacific Games has an appropriation of K59 million but is yet to be warranted or processed for payment.

Mr Speaker, back to the budget, should the Government maintain the 35 per cent rate of releasing funds throughout this year than by the end of June the Government will have released around 52.5 per cent of the PNG Government component of the budget.

Mr Speaker, on this note let me remind all of us to be fully committed to implementing the 2014 Budget.

**31/07**

Let me turn to the key government reform, to support and to improve the effectiveness of public expenditure and accountability. A number of priority sector reforms were included as part of the overall 2014 Budget reforms.

At this juncture, let me commend my predecessor; Member for Kandep Honourable Don Polye for moving the inclusion of those reforms in the 2014 Budget. The reforms are as follows;

Multi-year budgeting; which shows an estimate of executive government expenditure including agency for four years in the future. Integration of the recurrent and development budget; combining these two budgets will allow greater government control over its expenditure designing and ministerial driven budget process.

Mr Speaker for a young, vibrant developing nation, it should be the Ministers and not public servants that drive the budget process. Of course, we will continue to count on good advice from our civil servants. The creation of the Sovereign Wealth Fund is designed to improve the stability of the revenue flows to the budget.

The need to improve government procurement processes as well as improving Central Supplies and Tenders board contracts, audits, greater reporting and monitoring; amongst other things. Adapting the 2001 Government Financial Statistics (GFS) is a more modern accounting system for government financiers that replaced the 1986 GFS.

Mr Speaker, this key government reforms will assist to improve the effectiveness of public expenditure and accountability. This country is rich and its wealth must be applied to benefit all, by being effective in our spending and accountable on such expenditure; we will know our efforts are well placed. Let me inform the Parliament of the 2013 budget financing requirement.

With regards to financing the 2014 Budget, the total government borrowing is expected to peak at K789.3 million in 2014. Of this total borrowing 70 per cent will be used to retire existing debt maturing K5536.8 million and 30 per cent will be used to finance the 2014 budget funding requirement of K2355.5 million to address the development needs of our country.

Mr Speaker, I want to make it my business to ensure that we all understand and appreciate the value of fiscal discipline including, the need to stick by the rules of fiscal discipline. We will do this by being able to live within our means. Set budgets between realistic revenue targets and limit actual spending within the actual appropriation level.

The provisional 2013 Fiscal budget outcome by Treasury is telling us that our budget deficit for 2013 Fiscal year is 105 per cent higher than the original 2013 budget estimate.

Let me also assure Parliament that I am determined to take the necessary steps to bring our borrowing level back to a globally accepted level; down from 35 per cent of GDP

as opposed to Parliament during the passage of the 2014 budget to less than 30 per cent of GDP as required by our *Fiscal Responsibility Act*.

Mr Speaker, let me turn to the challenges in the implementation of 2014 budget where political support is crucial in overcoming this challenges. The challenges to implementing the 2014 budget includes; most government agencies submitting their cash flows very late for funding. More than 40 per cent of agencies fail to adhere to quality reporting requirements.

There are still outstanding acquittals for 2013 direct funding to provinces and treasury faces monthly cash flow limitations and has to manage raising government borrowing accordingly. The current government borrowing insurance method is unlikely to be successful hence new matters of insurance are required.

The last increase in the stock of debt must be managed prudently to minimise fiscal risks and costs.

**32/07**

The ability to raise the required financing is subject to portfolio exposure and credit limits of investors.

Mr Speaker, I have outlined for the information of this Honourable House the current state of the economy and key actions taken by government in ensuring the implementation of 2014 Budget are achieved on time or under our within budget.

Mr Speaker, I would like the House to also note that;

- Key government projects and programs are being implemented;
- There are challenges in implementing and financing the 2014 budget.
- It is important that all government agencies work together to bring tangible goods and services to the people of our country. Whilst at the same time we abide by the Fiscal Responsibility Act that stipulates that government public debt level reaches 35 percent of GDP in 2013 and 2014 them revert back to 30 percent of the GDP over the Medium term.

Therefore Political Support is needed to ensure:

- Government Expenditures remain between budget appropriations;
- Maintaining a Government Debt to GDP ratio of less than 30.0 percent, apart from 2013 and 2014, when it will not exceed 35.0 percent; and
- Ministries and Agencies need to adhere to providing quarterly financial expenditure reports.

Mr Speaker, I now turn to the Independent Review of 2014 Budget and other Economic issues.

Seeing that all of the above have taken note of and while we as a Government are very confident with our projections for growth, it would be in our interest to get an independent or outside opinion of our performance as a nation.

It is this regard that on an assumption of the ministry, I commissioned as a team to device a Terms of Reference for an independent review of the 2014 National Budget.

Basically this is ensure the implementation of the 2015 Budget will continue to progress the Governments clear and targeted development strategies contained in 2014 Budget aimed at inclusive growth and prosperity for all.

The review will be in three parts and the terms of reference will include;

- Positive steps to be undertaken to return the Budget from a deficit to balanced Budget;
- Gain a clearer understanding of the impact of the PNG LNG project on future Government revenues in order to improve fiscal planning and strategies and to guide future negotiations on new LNG projects ; and
- Assess the financial resources needed by the State and State-owned enterprises to deliver infrastructure and essential services to support the economic growth and provision of service to people around the country in particular rural areas.

Mr Speaker, I have given three months for the exercise to be undertaken and by the next session of Parliament should be able to the House the key findings of the 2014 Budget Review and give Honourable Members and the people of Papua New Guinea a glimpse of what to expect in the 2015 Budget.

At this point let me sound the early warning that some of these measures maybe painful to bear but be the vital short term scarifies we must endure as it is necessary for a us to implement fiscal discipline at all levels of government in order to return the Budget to balance as soon as possible. Mr Speaker, beyond our immediate challenges relating to fiscal policy and the Budget, I would like to remind the House that we are now in our 14<sup>th</sup> successive year of economic growth, with a positive and robust future outlook ahead of us.

Such a growth is supported by a rebound in the mining sector and positive growth in sectors that matter most to the great majority of our people's agriculture, forestry and fisheries sectors apart from the oil and gas sector.

Mr Speaker, such a growth is supported by a rebound in the mining sector and positive growth in sectors that matter most to the great majority of our people's agriculture, forestry and fisheries sectors apart from the oil and gas sector.

Such a remarkable record is definitely the result of the pro-growth policies and initiatives undertaken by this government and its predecessor, both of which I served as Minister.

Standards and Poor's is one of the world's best three professional companies that assess and rates economies worldwide based on a wide range of parameters including political stability and economic performance.

Our B+ rating gives us the confidence that our economy is continuously recording growth.

It also gives a level of confidence that bankers and financiers need to be able to lend to the government, private sector and the people of Papua New Guinea to continue to invest in growth and continue to underpin the huge economic strides well into the future.

**33/07**

And rate economies worldwide based on a wide range of parameters including political stability and economic performance. Our B+ rating gives us the confidence that our economy is continuously recording growth.

It also gives the level of confidence that bankers and financiers need to be able to lend to the government, private sector and the people of our country to continue to invest in growth and underpin the huge economic strides well into the future.

Mr Speaker, I would like to touch on Papua New Guinea Chair of the World Bank and IMF.

Mr Speaker, let me also take this opportunity to brief you and this Parliament, and in recent times I had the honor and privilege of serving this country as Chairman of the Board of Governors of the International Monetary Fund (IMF) and the World Bank, two of the world's most influential economic organisations.

It is not only an honor and privilege, but also a once in a lifetime opportunity that Papua New Guinea cannot offer to squander. Indeed Papua New Guinea was blessed to be offered the position at this time because, even our closest neighbour, ally and partner, Australia last had this privilege in 1961. That was well before they had seriously contemplated granting independence to Papua New Guinea.

Mr Speaker, for the information of Parliament; nomination to the position is done on a rotational basis following the alphabetical order of all 188 member countries of the World Bank and IMF. This means Papua New Guinea will get around to chairing again in 188 years from today.

Mr Speaker, I stand to inform this Parliament that I will hand over the chairmanship to Paraguay's Minister for Finance, German Rojas, at the next World Bank and IMF annual boards of governors' meeting in October of this year.

Mr Speaker, on the economic performance, again, based on our unprecedented growth rate predicted in 2015 at 21 percent in GDP, and supported by the World Bank and IMF, the record will speak for itself and 2015 will signal Papua New Guinea's 15<sup>th</sup> successive year of solid economic growth.

Mr Speaker, I stand here today somewhat in awe at the opportunity that has been given to me to plan the 2015 Budget. Effectively it would be Papua New Guinea's first budget to enjoy the fruits of our country's emergence as an LNG exporter to an energy hungry world.

Mr Speaker, there is much excitement already in the air following the announcement of the 100 percent completion of the LNG project and first export, but let me stress that there is no room for complacency. Let us not repeat our mistakes of the past in the 10 years ahead. For the first time in our history we can contemplate more improved services delivery due to anticipate increase in income which will run into the billions of kina. For this reason the Government needs to use revenues that are generated to further harness the potential of agriculture, forestry and fisheries where 80 percent of our people are employed.

Mr Speaker, with good policies that continue to attract investment, our economic sectors will continue to contribute towards sustainable growth into the long term.

Thank you, Mr Speaker.

Debate (on motion by **Mr James Marape**) adjourned.

## ADJOURNMENT

Motion (by **Mr James Marape**) agreed to –

That the Parliament do now adjourn.

The Parliament adjourned at 3.15 p.m.